

Executive Summary Report

Appraisal Date 1/1/00 2002 Assessment Roll

Specialty Name: High-Tech/Flex Properties

Sales – Improved Analysis Summary:

Number of Sales: 17

Range of Sales Dates: 6/99 – 5/01

Sales – Ratio Study Summary:

	Mean Assessed Value	Mean Sale Price	Ratio	COV*
2001 Value	\$8,849,500	\$10,237,400	86.4%	26.55%
2002 Value	\$8,973,500	\$10,237,400	87.7%	11.82%
Change	+\$124,000	-	+1.3%	-14.73%
% Change	+1.40%	-	+1.50%	-55.48%

*COV is a measure of uniformity, the lower the number the better the uniformity.
The negative figures of –14.73% and –55.48% represent an improvement.

Sales used in Analysis: All sales verified as good were included in the analysis.

Total Population - Parcel Summary Data:

	Land	Imps	Total
2001 Value	\$ 435,686,900	\$ 1,505,436,985	\$ 1,941,123,885
2002 Value	\$ 537,706,400	\$ 1,444,956,800	\$ 1,982,663,200
Percent Change	+ 23.42%	- 4.02%	+ 2.14%

Number of Parcels in the Population: 167

Conclusion and Recommendation:

The total number of the sales sample is noted to be low for standard regression analysis, however since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2002 Assessment Roll.

Analysis Process

Specialty

Specialty Area – 510 - High-Tech/Flex Properties

Highest and Best Use Analysis




As if vacant: Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000 is assigned to the improvements.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

-  Sales from 6/99 to 5/01 at a minimum were considered in the analyses.
-  No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of multiple years of market information without time adjustments averaged any changes over that time period.
-  This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: High-Tech/Flex Properties

Boundaries: The properties are located throughout King County but are predominantly situated between Bellevue/Redmond and Bothell.

Maps:

A GIS map of the entire area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

The High-Tech/ Flex Specialty Properties are generally defined as buildings that include a combination of warehouse, light industrial use, and/or office area. The occupants tend to be engaged in a variety of High-Tech enterprises that may include computer software and hardware, telecommunications, electronics, and medical instrumentations. Nintendo, Space Labs, and Microsoft are included. The typical building area often includes engineering space, assembly areas or computer rooms and generally run above a 40% build-out ratio. The buildings tend to be of higher quality finish and may have multiple fiber optic lines with additional power, mechanical, and communications facilities than are found in typical Business Parks.

The High-Tech/Flex industry continues to adjust to the overall downturn in the technology market with flexibility being the battle cry of corporate real estate departments. Most are still scaling back their operations as they continue to lay off employees or try to fit more employees in fewer square feet as their space demands have fallen off. The excess area previously held for future expansion is now available as part of the substantial sub-lease space currently on the market. The exception to this is Microsoft who continues to buy additional buildings and consolidate their additional employees from previously leased space.

Physical Inspection Area:

40 properties located in the Overlake neighborhood were reviewed for the physical inspection of this revalue.

Preliminary Ratio Analysis

A Preliminary Ratio Study was done June 2002.

The study included sales of improved parcels and showed a COV of 26.55%.

A Ratio Study was completed after deriving the recommended values for 2002. The results are included in the validation section of this report and show an improvement in the COV from the previous rate of 26.55% to a proposed rate of 11.82%.

Land Value

Land Sales, Analysis, Conclusion

The respective geographic appraisers valued all land.

A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values:

Sales comparison approach model description

The model for sales comparison was based on several data sources from the Assessor's records including LUC (land use code), net rentable area, effective year, condition, and sales price/ rentable area. A search was made on data that most closely fit a subject property within each geographic area. All sales were verified when possible by calling either the purchaser, seller or agent, inquiring in the field, or using the CoStar COMPS services. Characteristic data was verified for all sales if possible. A list of the sales are included within this report.

Sales comparison calibration

After an initial search for comparable sales within each geographic area, a search is made in neighboring areas and expanded to include all of King County if necessary.

Cost approach model description

A cost approach was available using the Marshall & Swift Commercial Estimator. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area.

Cost calibration

Each appraiser valuing by cost can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift.

Income capitalization approach model description

The specialty properties are located throughout King County with the concentration falling between Bellevue/Redmond and Bothell, known as the Technology Corridor. A map showing the Specialty Property sites is included within this report.

Vacancy rates have increased since last year ranging between the high office rates and those of the lower warehouse market. Market rates were adjusted to reflect the different neighborhoods and were generally set from between 6% and 12%. Individual buildings were noted to vary reflecting current tenant changes and available additional sub-leases.

Office rents were valued on a triple-net basis with a breakout of the office/warehouse components made. Rents varied per neighborhood and generally were based between \$12 to

\$15.50 per NRA per year for office space and \$6 and \$7.2 per NRA per year (\$.50-.60 per NRA per month) for warehouse space. Individual adjustments were made to reflect the buildings location, age, and condition.

Capitalization rates generally ranged from 8.75% to 10.25% and a uniform 10% was applied for expenses.

Income approach calibration

The models were calibrated after setting the base rents by using adjustments based on size, effective age, construction class and quality as recorded in the Assessor's records. Properties were valued based on the income tables included within this report. The individual property valuation information is available within Assessor records. Additional factors considered were excess land, economic units, or unique features with the property.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

The values for all parcels were individually reviewed by the speciality appraiser before the final value was selected.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

The Speciality Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.

The total assessed value for the 2001 assessment year for High-Tech properties was \$1,941,123,885. The total recommended assessed value for the 2002 assessment year is \$1,982,663,200. The total increase is \$41,539,315.

Application of the recommended values for the 2002 assessment year (taxes payable in 2003) results in an average total change from the 2001 assessments of +2.14%.

Note: More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the appropriate district office.

USPAP Compliance

Client and Intended Use of the Appraisal:

This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a summary mass appraisal report as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.

The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

WAC 458-12-330 **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly

located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Special assumptions and limiting conditions:

That no opinion as to title is rendered. Data on ownership and the legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions unless shown on the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.

That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

That no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.

That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

Exterior inspections were made of all properties however, due to lack of access few received interior inspections.

The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.

We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.

We have attempted to segregate personal property from the real estate in our appraisals.

We have not appraised movable equipment or fixtures as part of the real estate. We have appraised identifiable permanently fixed equipment with the real estate in accordance with RCW 84.04.090 and WAC 458-12-010.

We have considered the effect of value of those anticipated public and private improvements of which we have common knowledge. We can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.

The appraisers have no personal interest or bias toward any properties that they appraise.

Departure Provisions:

Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception

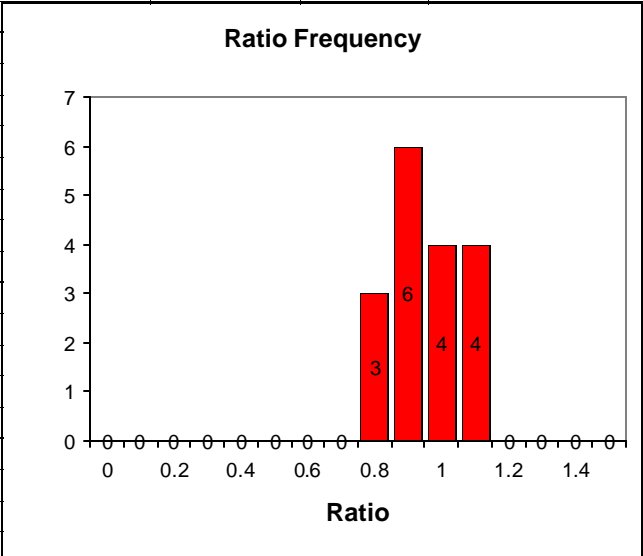
SR 6-2 (g)

The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.

Present Ratio

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:				
East Crew	1/1/2002	7/1/2002	6/99 - 5/01				
Area	Appr ID:	Prop Type:	Trend used?: Y / N				
510	EPRE	Improvement	N				
SAMPLE STATISTICS							
Sample size (n)	17	<div>Ratio Frequency</div>					
Mean Assessed Value	8,849,500						
Mean Sales Price	10,237,400						
Standard Deviation AV	4,848,837						
Standard Deviation SP	6,007,335						
ASSESSMENT LEVEL							
Arithmetic mean ratio	0.909	<div>These figures reflect the ratio of Sales compared to the Current Values</div>					
Median Ratio	0.865						
Weighted Mean Ratio	0.864						
UNIFORMITY							
Lowest ratio	0.6254						
Highest ratio:	1.4613						
Coefficient of Dispersion	20.15%						
Standard Deviation	0.2412						
Coefficient of Variation	26.55%						
Price-related Differential	1.05						
RELIABILITY							
95% Confidence: Median							
Lower limit	0.684						
Upper limit	0.995						
95% Confidence: Mean							
Lower limit	0.794						
Upper limit	1.023						
SAMPLE SIZE EVALUATION							
N (population size)	167						
B (acceptable error - in decimals)	0.05						
S (estimated from this sample)	0.2412						
Recommended minimum:	60						
Actual sample size:	17						
Conclusion:							
NORMALITY							
Binomial Test							
# ratios below mean:	10						
# ratios above mean:	7						
z:	0.49						
Conclusion:	Normal*						
*i.e., no evidence of non-normality							

Future Ratio

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:										
East Crew	1/1/2002	7/1/2002	6/99 - 5/01										
Area	Appr ID:	Prop Type:	Trend used?: Y / N										
510	EPRE	Improvement	N										
SAMPLE STATISTICS													
Sample size (n)	17	<div><div>Ratio Frequency</div><p>A histogram showing the frequency of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4 with increments of 0.2. The y-axis is labeled 'Ratio Frequency' and ranges from 0 to 7 with increments of 1. There are four red bars with the following frequencies: 3 for the first bar (approx. 0.8), 6 for the second bar (approx. 0.9), 4 for the third bar (approx. 1.0), and 4 for the fourth bar (approx. 1.1).</p><table border="1"><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.8</td><td>3</td></tr><tr><td>0.9</td><td>6</td></tr><tr><td>1.0</td><td>4</td></tr><tr><td>1.1</td><td>4</td></tr></tbody></table></div>		Ratio	Frequency	0.8	3	0.9	6	1.0	4	1.1	4
Ratio	Frequency												
0.8	3												
0.9	6												
1.0	4												
1.1	4												
Mean Assessed Value	8,973,500												
Mean Sales Price	10,237,400												
Standard Deviation AV	4,893,757												
Standard Deviation SP	6,007,335												
ASSESSMENT LEVEL													
Arithmetic mean ratio	0.905	<div><div>These figures reflect the ratio of Sales compared to the Proposed Values</div></div>											
Median Ratio	0.886												
Weighted Mean Ratio	0.877												
UNIFORMITY													
Lowest ratio	0.7076												
Highest ratio:	1.0301												
Coefficient of Dispersion	10.09%												
Standard Deviation	0.1069												
Coefficient of Variation	11.82%												
Price-related Differential	1.03												
RELIABILITY													
95% Confidence: Median													
Lower limit	0.828												
Upper limit	1.010												
95% Confidence: Mean													
Lower limit	0.854												
Upper limit	0.955												
SAMPLE SIZE EVALUATION													
N (population size)	167												
B (acceptable error - in decimal)	0.05												
S (estimated from this sample)	0.1069												
Recommended minimum:	17												
Actual sample size:	17												
Conclusion:	OK												
NORMALITY													
Binomial Test													
# ratios below mean:	9												
# ratios above mean:	8												
z:	0												
Conclusion:	Normal*												
*i.e., no evidence of non-normality													

Sales

ParcelNbr	Descr	LocAddress	Excise TaxNbr	SaleDate	SalePrice	Pcl Cnt
SALES USED						
0301500160	KEY BANK CALL CENTER	1010 15th St SW	1698434	7/16/1999	\$8,299,499	1
0326059110	THE PATCHWORKS PLACE (Neptune Bldg)	20205 144TH AV NE	1690843	6/7/1999	\$2,675,000	1
1099100005	TELEDESIC	1445 120TH AV NE	1773533	8/21/2000	\$13,050,000	2
1526059075	DYNAMIC SYSTEMS (BD & A)	15511 WOODINVILLE-REDMOND RD	1748787	4/24/2000	\$3,680,000	1
2124069003	SAMMAMISH PARK PLACE - BLDG A	22011 SE 51ST ST	1806614	3/21/2001	\$18,518,851	1
2124069131	SAMMAMISH PARK PLACE - BLDG B	5150 220TH AV SE	1806615	3/21/2001	\$20,933,979	1
2124069132	SIEMENS QUANTUM INC	22010 SE 51ST ST	1780232	10/1/2000	\$17,961,132	1
2726059106	VALLEY VIEW CORP CTR BLDGS A& B	12421 WILLOWS RD NE	1707628	8/31/1999	\$14,650,000	2
3340403805	MCI WORLDCOM	1415 MAPLE AV SW	1699415	7/20/1999	\$2,800,000	1
3629300020	APPLIED PRECISION	1040 12TH AV NW	1727113	12/10/1999	\$7,050,000	1
3927000043	KOLL TECH CENTER BLDGS 3 & 4	19805 NORTH CREEK PW N	1690072	6/3/1999	\$11,275,000	2
6448300100	AGA FRIGOSCANDIA	14949 NE 40TH ST	1801579	2/15/2001	\$7,355,220	1
6979200230	WRIGHT BLDG	19201 120TH AV NE	1796842	1/17/2001	\$8,600,000	1
7201700070	WILLOW THREE	15120 NE 92ND ST	1752266	5/8/2000	\$5,000,000	3
7201700070	WILLOW THREE	15120 NE 92ND ST	1821242	5/31/2001	\$5,850,000	3
9286900010	WEST WILLOWS TECH CTR	8805 148th AVE	1810472	4/4/2001	\$18,737,555	5
9430500010	WILLOWS RUN	9840 WILLOWS RD	1748290	4/20/2000	\$7,600,000	1
SALES NOT USED						
0122049034	MCI WORLDCOM	6906 S 204TH ST	1725637	12/2/1999	\$4,835,438	1
1424059054	SPACE LABS MEDICAL - MICROSOFT	15120 NE 40TH ST	1841032	9/11/2001	\$74,000,000	4
6448300111	LAKERIDGE BLDGS 1-4 - MICROSOFT	3800 148TH AVE NE	1858084	12/19/2001	\$142,270,000	2

Exceptions

Account	Property Name	Comments
342605-9037	INTER POINT INC	Excess Land
983630-0130	PRIMEX AEROSPACE CO.	Excess Land
342605-9094	INTERPOINT BUILDING	Excess Land
092304-9031	VACANT - INTERGATE WEST	Land only
102304-9080	VACANT - INTERGATE EAST	Land only
102304-9082	VACANT - INTERGATE EAST	Land only
109910-0001	VACANT - TELEDESIC	Land only
142505-9010	VACANT - MICROSOFT (former Space Labs)	Land only
142505-9014	VACANT - MICROSOFT (former Space Labs)	Land only
272605-9022	VACANT - PHYSIO CONTROL N. BLD	Land only
983630-0450	VACANT - PHYSIO CONTROL S. BLD	Land only